

The One Hundred and
Twenty-Ninth
Annual Report of the
Board of Directors of
The Canada Life
Assurance Company
March 4th, 1976
Head Office, Toronto,
Canada

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BOARD OF DIRECTORS

E. H. CRAWFORD
President

A. H. LEMMON
Chairman of the Board

J. G. HUNGERFORD, Q.C.
Chairman of the Executive Committee of the Board

JOHN L. MCCARTHY
Vice-President

BEVERLEY MATTHEWS, C.B.E., Q.C.
Vice-President
Partner
McCarthy & McCarthy

DAVID W. BARR
Vice-President
Chairman of the Board
Moore Corporation Limited

W. J. ADAMS
Formerly Senior Vice-President

ARTHUR J. E. CHILD
President and Chief Executive Officer
Burns Foods Limited
Calgary

E. JACQUES COURTOIS, Q.C.
Weldon, Courtois,
Clarkson, Parsons & Tétrault
Montreal

NATHANAEL V. DAVIS
Chairman of the Board
and Chief Executive Officer
Alcan Aluminium Limited
Montreal

GRAHAM R. DAWSON
Chairman and President
Dawson Construction Limited
Vancouver

GÉRARD FILION, C.C.
Montreal

E. C. GILL
*Formerly Vice-Chairman
and a Past President*

RUSSELL E. HARRISON
President and
Chief Operating Officer
Canadian Imperial
Bank of Commerce

J. D. LEITCH
President
Upper Lakes Shipping Ltd.

A. J. LITTLE, F.C.A.
Toronto

The Right Honourable
LORD McFADZEAN
Honorary President
British Insulated Callender's Cables Limited
London, England

ELLMORE C. PATTERSON
Chairman of the Board
and Chief Executive Officer
J. P. Morgan & Co., Incorporated
New York

C. E. RITCHIE
Chairman and President
The Bank of Nova Scotia

MANAGEMENT OFFICERS

D. D. DENNIS, O.B.E.
*Senior Vice-President and General Manager,
U.K. and Ireland*

D. I. FRASER, F.L.M.I.
Vice-President Administration and Secretary

J. C. MAYNARD, F.S.A., F.C.I.A.
Vice-President and Chief Actuary

J. M. MUNRO
Senior Vice-President and Director of Agencies

R. D. RADFORD, F.L.M.I.
Vice-President and Treasurer

J. B. WALKER, F.S.A., F.C.I.A.
Vice-President and Director, United States Division

W. B. WAUGH, F.S.A., F.C.I.A.
Vice-President and Controller

HONORARY DIRECTORS

A. C. ASHFORTH

J. GORDON BEATTY, M.C.

J. ROY GORDON

R. A. LAIDLAW

S. M. WEDD

THE REPORT

Your Directors have pleasure in submitting the 129th annual report including the financial statements for the year ended December 31, 1975. The accompanying financial statements and exhibits consolidate the operating results and financial position of the Company's two wholly owned life insurance subsidiaries, The Canada Life Assurance Company of Great Britain Limited and Canada Life Insurance Company of New York.

New business placed by our marketing organizations during the year totalled \$2,295,879,000 consisting of \$2,072,091,000 of life insurance and \$223,788,000 of annuities.

Business in force totals \$19,412,270,000 excluding re-insurance ceded to other companies. This amount includes \$16,279,855,000 of life insurance and \$3,132,415,000 of annuities.

Total revenue for the year from all sources was \$407,333,000 including \$61,496,000 in amounts received and income earned for segregated annuity funds and after deducting \$28,776,000 premium reductions (policy dividends) allotted.

Payments to policyholders and beneficiaries totalled \$164,714,000.

The assets have been carefully valued and after making ample appropriations, their total is \$1,887,429,000.

Liabilities arising from insurance and annuity contracts amount to \$1,753,497,000 including \$38,603,000 premium reductions (policy dividends) for policyholders in future years.

Surplus and reserve funds total \$106,484,000 of which \$32,000,000 is a general contingency reserve and \$74,484,000 is surplus held as an additional protection for policyholders and beneficiaries.

With a deep sense of loss, the Directors record the passing of Mr. Neil J. McKinnon in August and the passing of Mr. Graham F. Towers, C.C., C.M.G. in December. Mr. McKinnon had been a Director since 1954. Mr. Towers had served on the Board from 1955 until 1973 and was then appointed an Honorary Director. He was Chairman of the Board from 1961 until 1969.

Mr. Beverley Matthews, C.B.E., Q.C., who has served as a Director since 1969, was elected a Vice-President in March. Mr. David W. Barr, who has been a Director since 1971, was elected a Vice-President this February.

Mr. Russell E. Harrison was elected a Director in October.

The Directors express their appreciation to all members of Canada Life and congratulate them on the year's results.

On behalf of the Board,

A. H. Lemmon
Chairman of the Board

E. H. Crawford
President

Toronto, March 4, 1976.

CONSOLIDATED REVENUE STATEMENT FOR 1975

WE RECEIVED

	1975	1974
Gross premiums for insurances and guaranteed annuities	\$246,903,000	\$221,797,000
Less premium reductions (policy dividends) allotted	28,776,000	28,450,000
Net premiums	218,127,000	193,347,000
Amounts received for segregated annuity funds including group transfers	36,997,000	36,104,000
Interest, dividends and rents, less investment expenses	128,406,000	114,604,000
Profits on sale of assets and recovery in 1975 of \$1,250,000 previously written off	2,053,000	3,402,000
Increase in market value of assets held for variable insurances and segregated annuity funds	21,750,000	—
	<u>\$407,333,000</u>	<u>\$347,457,000</u>

WE PAID OR SET ASIDE FOR FUTURE PAYMENT

	1975	1974
To policyholders and beneficiaries:		
Death benefits	\$ 56,901,000	\$ 51,072,000
Disability benefits	18,945,000	15,234,000
Matured endowments	11,922,000	10,066,000
Annuities	27,581,000	23,568,000
Cash surrender options	39,896,000	42,548,000
Payments under segregated annuity funds	9,469,000	8,216,000
	164,714,000	150,704,000
Interest on amounts left on deposit	3,740,000	3,581,000
Increase in actuarial reserves required for future payments under insurances and guaranteed annuities (after allowing for the change in market value of assets held for variable insurances, and including in 1975 \$3,500,000 for contingent payments)	113,350,000	73,497,000
Expenses of administration, sales and service (excluding investment expenses)	58,671,000	53,089,000
Income, premium and sundry taxes	8,749,000	9,231,000
Amount written off assets	803,000	3,368,000
Decrease in market value of assets held for variable insurances and segregated annuity funds	—	41,980,000
Net increase in segregated annuity funds . .	51,180,000	7,583,000
Addition to general contingency reserve . .	3,000,000	2,000,000
Addition to surplus held as an additional protection for policyholders and beneficiaries	3,126,000	2,424,000
Balance at Dec. 31, 1975	\$74,484,000	
Balance at Dec. 31, 1974	\$71,358,000	
	<u>\$407,333,000</u>	<u>\$347,457,000</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

AT DECEMBER 31, 1975

ASSETS			LIABILITIES AND SURPLUS		
	1975	1974		1975	1974
Bonds:			Actuarial reserves, being the amount required, in addition to future premiums and interest, to provide for future payments under insurances and guaranteed annuities	\$1,395,461,000	\$1,282,111,000
Government	\$ 145,979,000	\$ 146,650,000			
Corporate	384,110,000	324,694,000	Benefits in course of payment and provision for unreported claims	34,150,000	28,949,000
	<u>530,089,000</u>	<u>471,344,000</u>			
Mortgage loans	593,634,000	565,024,000	Policyholders' amounts left on deposit at interest	42,960,000	40,249,000
Stocks:			Provision for future premium reductions (policy dividends)	38,603,000	35,955,000
Preferred	28,052,000	30,214,000	Miscellaneous liabilities (including unallocated amounts and provision for outstanding taxes and expenses)	27,448,000	27,166,000
Common	146,458,000	126,481,000	General contingency reserve	32,000,000	29,000,000
	<u>174,510,000</u>	<u>156,695,000</u>	Surplus held as an additional protection for policyholders and beneficiaries	74,484,000	71,358,000
Real Estate:				<u>1,645,106,000</u>	<u>1,514,788,000</u>
Company premises	27,483,000	27,448,000	Funds held for segregated annuities	242,323,000	191,143,000
Held for investment	74,674,000	70,021,000		<u>\$1,887,429,000</u>	<u>\$1,705,931,000</u>
	<u>102,157,000</u>	<u>97,469,000</u>			
Loans on policies	173,410,000	163,980,000			
Cash and interest bearing deposits	21,119,000	21,800,000			
Premiums in course of collection	15,172,000	12,051,000			
Interest and rents due and accrued	23,000,000	19,774,000			
Other assets	12,015,000	6,651,000			
	<u>1,645,106,000</u>	<u>1,514,788,000</u>			
Net assets of segregated annuity funds (see note 2:)	242,323,000	191,143,000			
	<u>\$1,887,429,000</u>	<u>\$1,705,931,000</u>			

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1975

1. These financial statements consolidate the operating results and financial position of the Company's two wholly owned life insurance subsidiaries, The Canada Life Assurance Company of Great Britain Limited and Canada Life Insurance Company of New York.

2. Bonds are carried at amortized cost and stocks at cost, with three basic exceptions:

(1) Bonds held for the health insurance business are carried at market value which at December 31, 1975 was \$1,342,000 less than cost (1974 — \$1,686,000 less than cost).

(2) Assets held for variable insurance contracts are included at market value as follows:

	1975	1974
Bonds:		
Government	\$ 1,309,000	\$ 508,000
Corporate	2,713,000	1,371,000
Common stocks	26,064,000	10,504,000
	<u>\$30,086,000</u>	<u>\$12,383,000</u>

(3) The carrying value of bonds at December 31, 1975 has been reduced by an investment valuation allowance of \$35,553,000. At December 31, 1974, the corresponding amount of \$37,148,000 was applied to reduce the carrying values of mortgages; the 1974 comparative figures have been restated to correspond with the 1975 form of presentation. The net reduction of \$1,595,000 in the investment valuation allowance is due in part to the release of \$1,250,000 to actuarial reserves for contingent payments.

Net assets held for variable segregated annuity contracts are carried at market value and are analyzed in the following schedule:

	1975	1974
Bonds:		
Government	\$ 4,443,000	\$ 6,741,000
Corporate	95,919,000	74,921,000
Mortgage loans	46,180,000	40,858,000
Stocks:		
Preferred	434,000	2,991,000
Common	90,818,000	60,927,000
Cash and interest bearing deposits net of sundry liabilities	1,112,000	1,944,000
Interest due and accrued	3,417,000	2,761,000
	<u>\$242,323,000</u>	<u>\$191,143,000</u>

Mortgage loans are carried at their unpaid principal balance.

Real estate is shown at cost less accumulated depreciation provided on the sinking fund basis.

The book values of all invested assets, in total, are greater than the values prescribed by the insurance law of Canada by \$1,100,000, provision for which is included in the general contingency reserve of \$32,000,000.

3. Throughout these statements, United States currency is included at the rate of \$1.00 Canadian to the U.S. dollar. Sterling is included at \$2.40 Canadian to the pound. If current rates of exchange had been used in the statement of assets and liabilities, the surplus as shown would have been increased.

4. At December 31, 1975, assets included in the accompanying consolidated statement of assets and liabilities held in trust by The Canada Life Assurance Company (exclusive of its subsidiaries) for the protection of its United States policyholders totalled more than \$236,000,000 which exceeded net liabilities to its United States policyholders at that date.

ACTUARY'S REPORT

To the Policyholders and Directors of
The Canada Life Assurance Company:

I have certified that the actuarial reserves exceed the reserves required by the Canadian and British Insurance Companies Act, and in my opinion, these reserves together with the other liabilities shown in the consolidated Statement of Assets and Liabilities at December 31, 1975, make good and sufficient provision for all unmatured obligations of the Companies under the terms of their policies.

Toronto, Canada
February 11, 1976

J. C. Maynard, F.S.A., F.C.I.A.
Vice-President and Chief Actuary

AUDITORS' REPORT

To the Policyholders and Directors of
The Canada Life Assurance Company:

We have examined the consolidated statement of assets and liabilities of The Canada Life Assurance Company and its subsidiaries as at December 31, 1975, and the consolidated revenue statement for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the actuarial reserves were determined and certified by the Company's Vice-President and Chief Actuary.

In our opinion, based on our examination and the certificate of the Vice-President and Chief Actuary, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1975, and the results of their operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada
February 11, 1976

Clarkson, Gordon & Co.
Chartered Accountants

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NEW BUSINESS

	First Year Premiums (in thousands)	
	1975	1974
Individual		
Insurances	\$14,521	\$12,845
Annuities — Annual Premiums	2,676	2,571
— Single Premiums	24,766	18,558
Health Insurance	677	499
Variable Insurances and Annuities	6,143	7,382
Total Individual	\$48,783	\$41,855
Group		
Insurances	\$ 5,122	\$ 4,312
Annuities	4,323	6,151
Health Insurance	4,545	4,441
Segregated Annuities	2,521	6,114
Total Group	\$16,511	\$21,018
Total Individual and Group	\$65,294	\$62,873

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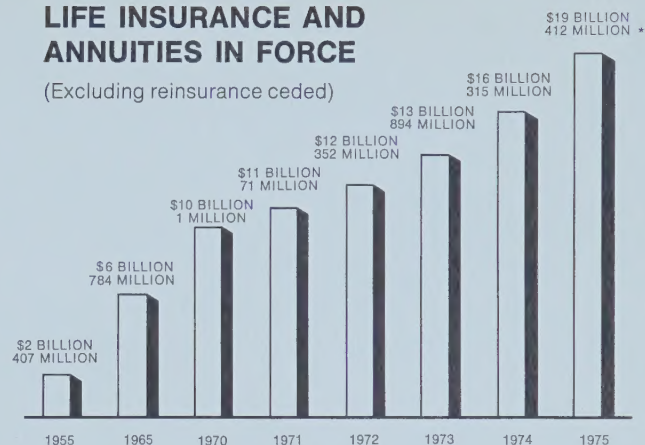
PAYMENTS UNDER POLICY CONTRACTS

	in millions	
	1975	1974
Death and Disability Benefits	\$ 75.8	\$ 66.3
Endowments	11.9	10.1
Annuities	27.6	23.6
Cash Surrender Options	39.9	42.5
Segregated Annuity Funds	9.5	8.2
Total	\$164.7	\$150.7

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LIFE INSURANCE AND ANNUITIES IN FORCE

(Excluding reinsurance ceded)



* Life Insurance — \$ 16 billion, 280 million
Annuities — \$ 3 billion, 132 million

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NET RATE OF INTEREST EARNED 1954 - 1975

